ILLINOIS COMMERCE COMMISSION

DOCKET NO. 07-0332

EXHIBIT NO. 1.0.1

SUPPLEMENTAL DIRECT TESTIMONY OF ARTHUR R. OLSON

RME ILLINOIS, LLC

Q. State your name for the record.

A. Arthur R. Olson. I am managing member of RME Illinois, LLC, an Illinois Limited Liability Company.

Q. What is the total amount of acreage for the area for which a Certificate is being requested in this proceeding

A. The area for which the Certificate is being requested in this proceeding is 22.5 acres.

Q. What is a breakdown by acreage, of the current use of the total acreage for the area that is the subject of this proceeding

A. The property is mostly scrub second growth with some wetlands. The property was farmed in excess of ten years ago. No buildings remain from the farm.

Q. What is the amount of acreage that may be removed from current use due to the construction of the subdivision

A. The entire site is being developed with approximately 10.51 acres in lots and roadway right-of-way and 12.5 acres in open space which includes the onsite drip dispersal system which will have a prairie grass and prairie wildflower cover.

Q. Give a brief description of the sewer facilities including statements of the design capacities of the components of the sewer facilities and the maximum hourly and average inflows which are anticipated

A. The Decentralized community/cluster wastewater system is composed of a 1500 gallon Orenco fiberglass septic tank CW style with pump vault (step assembly), Biotube filter, Orenco Effluent Pump Model PF100511 and a Vericom Remote Telemetry System on each lot. The septic tank treated effluent is pumped under pressure in a main line used by all residences of the subdivision to a 6,000 gallon fiberglass recirculation-blend tank, manufactured by Xerxes, with associated pumps and remote telemetry controls in conjunction with six Orenco AdvanTex AX100 Media Filters for Advanced Treatment. The advanced treated effluent is forwarded to a 4,000 gallon pump tank manufactured by Xerxes with associated pumps and remote telemetry controls. The effluent is pumped through an American Manufacturing multizone drip dispersal system control unit with associated telemetry into three drip zones utilizing Bioline drip tubing for in ground dispersal. The average residence will use approximately 200 gallons of water per day or 1800 gallons for the entire proposed system. The two advanced AdvanTex AX100 media filters, pumps and tanks have an average capacity to process 5,000 gallons per day and a maximum capacity of 10,000 gallons per day. The subsurface dispersal system is designed for a capability of 4,320 gallons per day. The system has a safety factor of over 2.3 for the entire system.

Q. What type of pipe is being used in the sewer collection system include the type of material from which the pipe will be manufactured?

A. The sewer lateral from the septic tank to the main line shall utilize 1" HDPE SDR-11 PE 3408 pressure rated for 160 psi butt or fusion welded and the main line sewer shall utilize 2" HDPE DR-11 PE 3408 pressure rated for 160 psi butt or fusion welded.

Q. Provide a statement evidencing that the sewer mains and sewer laterals proposed are of adequate size and are to be laid to permit an expeditious flow from point of origin at the customer's premises to the point of sewer treatment or disposal and if land contours are not such as to permit transport of the outflow by gravity, will adequate lift stations or other adequate sewer facilities by provided as a part of the Company's sewer system and if, in lieu of or as adjunct to such lift stations, force pumps are proposed to be installed to move sewage away from a customer's premises, a full description of the equipment and of the manner and means of its operation shall be stated.

A. The system shall be composed of a 4" Customer sewer lateral from the customer's premises to the STEP (Septic Tank Effluent Pump) tank. This sewer shall be a gravity sewer and shall be installed according to the plumbing code. From the STEP tank to the Collection sewer a 1" lateral shall be installed. The sewer lateral shall be manufactured of HDPE DR11 PE 3408 pressure rated at 160 psi. The lateral shall be pressurized by means of the STEP system located in the septic tank. A high head effluent pump, Orenco Model PF100511, is utilized to pressurize the system . The pump is sized and performs within the manufactures published pump curve for the system as designed. Typical effluent sewer mains are two inches in diameter for up to 100 equivalent dwelling units and four inches in diameter for up to 500 equivalent dwelling units. The peak flow rate for the proposed subdivision is 19.5 GPM which is well within the acceptable flow parameters for a 2" sewer main. The pump selected for each residence is based on the flow in gallons per minute and the TDH (total dynamic head). The pump selected for this installation is the Orenco PF100511 pump with a ¼" flow controller which limits the flow from the tank to 5 GPM. The pump selected is well within the manufactures pump curve based on flow and TDH. Backflow preventers are installed in the septic tank and at the service connection to the main line to prevent wastewater from backing up into the residence. A roll seal valve is to be installed in the main line to keep the main sewer full at all times especially during periods of low flow to avoid the tendency for air and gas to coalesce at high points and restrict the system's hydraulic capacity. Automatic air release valves are also installed in the main line to prevent air and gas accumulation which could diminish the system's hydraulic capacity.

Q. Are there feasible alternatives to the proposed sewer system, such as connection to an existing public utility or municipality sewer system or use of alternative

treatment such as lagoon and/or sewer treatment plant, together with reasons for the choice selected.

A. There are no existing public utilities or municipality sewer systems for which connection is feasible. A lagoon system for this property is impractical. The site is very rolling and placing a lagoon would be difficult if not impossible. There is not enough land outside of the wetland boundaries for the dispersal of the wastewater by spray irrigation.

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Q. Does the company have an Agricultural Impact Mitigation Agreement between the Company and the Illinois Department of Agriculture, in regard to extension of sewer lines [8IAC700, Appendix J, and 505 ILCS 77-Farmland Preservation Act] and if the Company does not have an Agricultural Impact Mitigation Agreement, does the Company plan on contacting the Illinois Department of Agriculture concerning the Agreement?

A. The Company does not have an Agricultural Impact Mitigation Agreement and does not plan on contacting the Illinois Department of Agriculture because the facility is located entirely within the Corporate boundaries of the Village of Lake Villa and no land or easements are required outside of the subdivision and therefore the Agreement is not required.

Q. Has the Company contacted the Illinois Historic Preservation Agency to determine if any portion of the proposed sewer has been identified in a historic or archaeological area [20 ILCS 3420-Illinois State Historic Resources Preservation Act]? If yes please explain the results of such contact. If no, please indicate weather such contact will be made and when.

A. The Illinois Historic Preservation Agency has been contacted with the results being "It has been determined, based on available information, that no significant historic, architectural or archaeological resources are located within the proposed project area".

Q. Has the Company contact the Illinois Department of Natural Resources and the U.S. Army Corps of Engineers to determine if any portion of the proposed sewer main extension has been identified as a flood plain area and/or wetland [20 ILCS 830 – Integrated Wetland Policy Act of 1989, 615 ILCS 5 – Rivers, Lakes, and Streams Act, and CFR 401]? If yes, please identify the agency contacted and explain the result of such contact. If no, please indicate whether such contact will be made and when.

A. The Company has contacted the Illinois Department of Natural Resources, the U.S. Army Corps of Engineers and the Lake County Stormwater Management Commission. The results of the contact is that the Department of the Army, Chicago District, Corps of Engineers has jurisdiction over the wetlands and as

such states that the work within the subdivision is in compliance with Regional Permit 1.

Q. Has the Company performed an Endangered Species Consultation Process with the Illinois Department of Natural Resources for the construction of the proposed sewer main extension [Ill. Admin. Code 1075, 520 ILCS 10/11 – Illinois Endangered Species Protection Act, and explain the results of such process. If no, please indicate whether such process will be undertaken and when.

A. An Endangered Species Consultation has been undertaken. The results state that there are no endangered or threatened species or Natural Areas present in the vicinity of the action and that the consultation is terminated.

Q. Has a list been filed with the Chief Clerk of the Illinois Commerce Commission a list containing the name and address of each owner of privately owned tracts of land upon which easements will be sought to construct sewer facilities, as disclosed by the records of the tax collector of the county wherein such land is located [83 Ill. Code 200.150(h)].

A. A list has not been filed as no easements are necessary on privately owned tracts of land for construction of the sewer system.

Q. What is the size, diameter, of the proposed sewer main extension. If the sewer main size is larger than eight inches (8") in diameter, please explain who will be responsible for paying for the additional cost of the larger pipe. In addition, please provide a justification for installing a sewer main that is larger than eight inches (8") diameter in size or smaller than six inches (6") in diameter size.

A. The main line sewer to be utilized for this onsite system is 2 inches in diameter and is sized appropriately, based on standard engineering principals, for the proposed onsite decentralized cluster subdivision. No extension of this system into other areas is proposed or allowed because the facility is designed and sized to be contained entirely within the subdivision.

Q. Have any permits been issued by the Illinois Environmental Protection Agency for the construction of the proposed sewer system and if a permit has not been issued by the Illinois Environmental Protection Agency for the construction of the proposed sewer system, please explain why not.

A. No permits were issued or are required by the Illinois Environmental Protection Agency for construction of the proposed system with the exception of the filing of the Illinois Environmental Protection Agency, Bureau of Land, Class V Injection Well Inventory Form which was filed on March 1, 2007. An IEPA permit is not required for an onsite system with in ground dispersal. For systems utilizing spray irrigation, lagoons, or direct discharge an IEPA permit would be required.

Q. Who the officers and directors of the limited liability company, the address of each, and the number of shares held by each and also what is the nature, character, and extent of the interest, if any, of any of the above officers or directors in any other sewer company, or in any other limited liability company, partnership, or corporation that holds an interest in any other sewer company.

A.

Arthur Olson	Phillip Grossman
965 Westshore Drive	8707 Skokie Blvd.
Fox lake, Il. 60020	Skokie, Il. 60077
66-2/3% Ownership	33-1/3% Ownership

The above members have no interest in any other sewer company or any limited liability company, partnership, or corporation that holds an interest in any other sewer company**.**

Q. What is the source of water supply for each of the residences.

A. All single-family residences shall be served by individually owned and operated wells.

Q. Explain why no easements are necessary on privately owned tracts of land for construction of the sewer system.

A. No easements are necessary on privately owned tracts of land because the entire sewer system is contained within the proposed subdivision.

Q Please provide a copy of the depreciation rates that will be utilized to begin establishing a depreciation reserve

A. The treatment facility shall be depreciated over 50 years therefore the rate of depreciation shall be set at 2.0% per year.

Q. Have you prepared financial statements (balance sheets) showing in detail the Company's assets, liabilities, and net worth for 2007, and projected balance sheets for 2008 through 2011.

A. I have prepared balance sheets and they are shown as Amended Attachment 5 to the Original Petition.

Q. Please provide the Company's experience in installing, operating and maintaining this type of sewer system in Illinois and in any other state. Please indicate the number and location of each of this type of sewer system that the Company is aware of that is currently operating in Illinois and in any other state.

A. Four locations in Illinois utilizing similar sewer systems are:

1) Village of New Minden – 119 Septic Tank Effluent Gravity connections, 11 Septic Tank Effluent Pump connections, recirculating granular filter, final dispersal to stream.
2) Village of Browns – 99 connections, recirculating sand filter, final discharge to stream
3) Newport Cove – Lake County – 67 Septic Tank Effluent Pump connections, recirculating sand filter, final dispersal to drip field.

Four Locations in others states.

1) South Alabama Utilities, Semmes, Alabama – Seven plants serving 2000 connections at build out
2) Diamond Lake Water and Sewer Commission, Washington – 500 connections
3) Elkton, Oregon – 100 connections
4) Applied Wastewater Management, Inc, - New Jersey – 3700 Connections

This particular system manufactured by Orenco utilizing a recirculating textile packed bed filter has not been installed in Illinois. Mr. Olson has taken courses at Orenco's headquarters in Sutherlin, Oregon in Operation and Maintenance of Step Systems, Pressure sewers and media filters. M. Olson Qualifications can be found in his Direct Testimony under Number 11 in Docket Numbers 07-0331 and 07-0332.

Q. What is RME Illinois' investment in this docket?

A. The Company is investing $6000 per lot or $54,000 toward construction of the central plant and the developer is paying for the remainder of the construction costs as Contribution in Aid of Construction.

Q. Do you have a detailed estimate of the cost of construction of the proposed sewer system?

A I have a detailed estimate of the cost of construction of the proposed sewer system shown as Exhibit No. 1.01-A and Exhibit 1.01-B to this testimony

Q. Does the company intend to follow the Uniform System of Accounts for Sewer Utilities Operating in Illinois?

A. The company intends to follow the Uniform System of Accounts for Sewer Utilities Operating in Illinois.

Q. What return on rate base is being proposed in the rates proposed?
A. The return being proposed on the rate base is 9%.

Q. Does the company have a summary of the Annual Operating expenses for this Docket?

A. Yes I have a summary of the Annual Operating Expenses and a breakdown which is attached to this testimony as Exhibit No. 1.01-C and 1.01-D

Q. Has a revenue requirement schedule been provided for this docket.

A. The revenue requirement schedule is included in Amended Attachment 5 to the original petition.

Q. Do you have any other sources that can justify the operation and maintenance costs utilized in this docket.

A. I have a copy of the nationwide averages for the operation and maintenance of that portion of the components manufactured by Orenco from Dr. Eric Lanning of Orenco. The document has been attached to this supplemental testimony as Exhibit 1.01-E.

Q. Does this conclude your direct supplemental testimony.

A. Yes